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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

DDI #5858-82
16 July 1982

National Intelligence Council

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

THROUGH: Chairman, National Intelligence Council

FROM: David D. Gries
National Intelligence Officer for East Asia

SUBJECT: More on Taiwan Arms Sales

1. My memorandum to you of 9 July explained that the President had approved our negotiating package. Subsequently, Art Hummel met with Deng Xiaoping in Beijing on 12 July and tabled the package. He also handed over a brief letter from the President to Deng. Deng was friendly, but noncommittal, when Hummel explained the contents of the package and letter.

2. On 14 July a leading Chinese political figure used an established channel to our Embassy in Beijing to probe whether any flexibility remained on our side. The Embassy sent back a clear signal that the package contained our bottom line. 25X111

3. Yesterday it was decided to send the Chinese Embassy in Washington a similar signal. The NSC is currently debating whether Vice President Bush or a leading Democrat or both should do this. In either case, it is important that the Chinese understand that there is no more give on our side.

4. Timing is a problem. Although John Holdridge has obtained consent of Senate and House leaders to skip informal certification to Congress of the intention to sign a new F5E co-production agreement, there is intense pressure on the White House to make this intention known in a very public way; namely, through a Presidential press announcement. That we will extend the co-production agreement is not in doubt, but how we do it is critical. If announced publicly before the Chinese respond to the package Art Hummel tabled in Beijing, the Chinese response is much more likely to be negative. 25X1

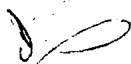
5. To refresh your memory, the key paragraph of the package commits the US to hold arms sales to Taiwan to the level of the quantity and quality of the recent past; eschews a long-term, open-ended policy of arms

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sales; suggests that arms sales will diminish gradually if tensions in the Strait remain low; and acknowledges (but in no way affirms or agrees with) the Chinese principle regarding elimination of this issue over a period of time. What all these formulations mean is that we will maintain arms sales at recent levels in the short term but decrease them in the long term. The paragraph does not commit us to end arms sales.


 David D. Gries

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